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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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SUMMARY

The demand for farm products is expected to remain high in 1948, although moderately lower than in 1947. The domestic economy will probably continue at high levels through this year. If Congress authorizes larger outlays for national defense, the increase in government expenditures might offset anticipated reductions from last year in investment expenditures and U. S. exports, which were important factors in last year's high activity and prices.

Prospects for improved world crop production indicate that foreign takings of United States farm products are likely to be reduced. The value of agricultural exports from this country may be 15 to 20 percent below the 1947 record, with a large part of the reduction in grains and grain products. Domestic crop production at the 1947 level and improved production abroad would be reflected in some decline in prices of farm products from present levels, but they would still average appreciably above 1946. Cash receipts from farm marketings are not likely to be reduced by more than 5 - 10 percent below last year's record. Net income of farm operators may be reduced somewhat more because of higher production costs.

Currently, employment and industrial production are near record levels. Prices generally have been stable since the decline in some farm products and foods in early February.

Current Commodity Highlights

Consumer demand for meat, dairy products and eggs continue high. The demand for feed grains is also strong. The Government has resumed purchases of wheat for export. Export demand for cotton and tobacco is lower than a year ago.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1947 Year	1948 Jan.	1948 Nov.	1948 Dec.	1948 Jan.	1948 Feb.
Industrial production 1/	1935-39						
Total	= 100	187	189	192	192	193	193
All manufactures	do.	193	196	199	198	200	200
Durable goods	do.	220	221	224	229	228	226
Nondurable goods	do.	172	176	179	173	177	179
Minerals	do.	149	146	155	156	155	155
Construction activity 1/	1935-39						
Contracts, total	= 100	274	254	336	343	333	
Contracts, residential	do.	348	353	400	395	373	
Wholesale prices 2/	1926 =						
All commodities	100	152	142	160	163	166	161
All commodities except farm and food	do.	135	128	142	146	148	147
Farm products	do.	181	165	188	197	199	185
Food	do.	169	156	178	178	180	172
Prices received and paid by farmers 3/	1910-14 = 100						
Prices received, all prod.	do.	278	260	287	301	307	279
Prices paid, int. & taxes	do.	231	215	241	245	251	248
Parity ratio	do.	120	121	119	123	122	112
Consumers' price 5/6/	1935-39						
Total	= 100	159	153	165	167	169	168
Food	do.	194	184	203	207	210	205
Nonfood	do.	140	136	144	145	146	
Income							
Nonagricultural payments 4/	Bil.dol.	174.8	167.8	182.3	184.6	184.1	
Income of industrial workers 3/	1935-39 = 100	323	308	343	354	350	
Factory payrolls 5/	do.	345	327	367	380	373	
Weekly earnings of factory workers 5/							
All manufacturing	Dollars	49.26	47.10	51.31	52.74	52.27	
Durable goods	do.	52.47	49.60	54.98	56.52	55.71	
Nondurable goods	do.	45.87	44.47	47.57	48.78	48.62	
Employment							
Total civilian 7/	Millions	58.0	55.4	58.6	57.9	57.1	57.1
Nonagricultural 7/	do.	49.8	48.9	50.6	51.0	50.1	50.4
Agricultural 7/	do.	8.3	6.5	8.0	7.0	7.1	6.8
Government finance (Fed.) 8/	Mil.dol.						
Receipts, net	do.	3,665	3,820	2,743	4,246	4,275	4,336
Expenditures	do.	3,462	3,113	2,194	3,224	2,879	2,402

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

APPRAISAL OF ECONOMIC TRENDS IN 1948

The combined effect on the national economy of increasing employment, prices, production and income in 1947 is reflected in the gross national product, which measures the value of the total production of goods and services at market prices. In 1947 the gross national product was $230 billion, 14 percent above 1946 (see table 1). The gross national product, figured at an annual rate, increased steadily each quarter in 1947. The sharpest advance occurred in the last quarter when it was at an annual rate of $241 billion, almost 5 percent above the average for the year and 9 percent above the first quarter. The increase largely resulted from advancing prices. Output of goods and services is estimated to have been less than 5 percent above 1946.

Table 1.- Gross national product, United States, 1946, 1947, and fourth quarter of 1947

Component	1946	1947	Fourth quarter, 1947 seasonally adjusted total at annual rate
	Billion dollars		
Personal consumption expenditures	143.7	164.4	172.5
Gross private domestic investment 1/	24.6	27.8	29.9
Net foreign investments 2/	4.8	8.7	8.2
Government purchases of goods and services 3/	30.7	28.7	30.3
Total gross national product	203.7	229.6	240.9

1/ Includes expenditures on new construction and producer's durable equipment and net change in business inventories. 2/ This component is approximately equal to the net exports of goods and services which were financed by U. S. Government and private loans or through the sale of foreign assets. 3/ Includes U. S. Government grants to foreign countries.
U. S. Department of Commerce.

Gross national product in the first quarter of 1948 was approximately the same as in the last quarter of 1947. Despite some decline in the prices of farm products and foods, prices generally averaged slightly above October-December, 1947. Industrial production and employment were maintained and incomes were up slightly. A preliminary appraisal of those factors which contributed to the very high activity and prices last year, indicates that in total they may be at least as large this year as last. These factors were: (1) a high rate of consumer expenditures, (2) extremely large expenditures for construction, plant and equipment, and inventories, (3) a large export surplus (excess of exports over imports), and (4) a high level of Government expenditures.

SOURCES OF DOMESTIC DEMAND

Consumer Expenditures

Strong domestic demand for farm products and other commodities in 1947 is reflected in the large expenditures for food, clothing, automobiles and other goods and services. Throughout 1946 and 1947, consumer expenditures increased faster than consumer incomes. This was possible because of a sharp increase in consumer credit to record levels, and a reduction in the rate of saving out of current income probably accompanied by liquidation of previous savings by some persons. During this period, rising prices offset the gain in consumer income, despite large increases in employment and wage rates. Although increases in wage rates and consumer credit are likely to be smaller this year than in 1947, a reduction in income taxes would give additional impetus to consumer spending.

High consumer expenditures were a particularly important factor in the record level of prices of farm products in 1947. Before the war, food expenditures consistently accounted for one-fourth of total expenditures. Even in 1929, when employment was relatively high, food accounted for 25 percent of the total expenditures. In 1947, the percentage rose to 31 percent. Increases in consumer income resulting from higher wages and income tax reductions are not expected to increase the already high proportion spent for food.

Gross Private Domestic Investment

As in other peacetime years when employment and business activity were high, expenditures in 1947 for plant and equipment, residential construction, and inventories, were heavy. In recent years, these expenditures accounted for about 12 percent of the total gross national product. The money spent for wages, salaries and materials in this component created purchasing power without promptly increasing the supply of consumer goods to the same extent. In past peacetime years, a decline in expenditures for capital goods has been accompanied by a generally lower level of economic activity but larger Government expenditures might maintain activity this year.

Because of the heavy rate of capital expenditures in the last two years, considerable progress has been made in meeting the accumulated wartime shortages. While the total expenditure for private investment in 1947 was not an excessive percentage of the gross national product, expenditures for producers' durable equipment were a larger percentage than in any other year of record except 1919-20.

Gross private investment as a whole will probably average slightly below 1947, although residential building is expected to continue strong through 1948 and may average slightly higher than in 1947. A private survey of business plans for capital expansion in 1948 indicated an 8 percent lower expenditure this year. A Government survey reported that expenditures for plants and equipment planned for the first quarter of 1948 would be 7 percent below the fourth quarter of 1947, but still above the 1947 average. Both surveys were made at the beginning of this year.

Government Expenditures

If Congress authorizes increased outlays for the national defense, the rate of Government expenditures this year may be above 1947. While the size of such outlays has not yet been determined, they might well be large enough to offset the reductions indicated in private investment and exports.

SOURCES OF FOREIGN DEMAND

Net Export Surplus

The excess of exports over imports was another major factor in 1947. United States exports of goods and services totaled a record 19.6 billion dollars, 11.3 billion dollars more than imports. The export surplus had an effect on the economy similar to that of heavy expenditures for plant and equipment. Purchasing power was increased without a similar gain in the supply of goods.

Even with a European Recovery Program of the size passed by the Senate and now under consideration in the House, the total dollars available to foreign countries to finance United States exports in 1948 will be less than last year. Total U. S. exports and the export surplus in the first quarter of 1948 are estimated to have been lower than in any quarter last year.

Agricultural Exports

If the current prospects for improved food production abroad materialize, both the volume and value of agricultural exports will be significantly lower in 1948. Even with the European Recovery Program as passed by the Senate, the value of agricultural exports might be reduced as much as 15-20 percent below the 3.9 billion dollar total of last year. Exports of grains and grain products probably will drop most. Cotton exports may be higher than in 1947.

PRICES AND INCOMES RECEIVED BY FARMERS

An appraisal of the foregoing trends points to a somewhat lower level of demand for farm products this year than in 1947. Domestic demand is likely to remain high but foreign demand may ease significantly from the very heavy demands of last year if current prospects for improved crops abroad materialize. Domestic crop production at the 1947 level and improved production abroad would be reflected in some decline in prices of farm products from present levels; but prices received by farmers would average appreciably higher than in 1946. Cash receipts from marketings are likely to recede from the 1947 record high but probably by not more than 5-10 percent. Net income of farm operators may be reduced somewhat more but would still be above 1946.

CURRENT TRENDS

Output and Employment

Industrial production in February was maintained at the record peacetime level of 193 (1935-39=100), the same as in January and 4 points above February, 1947. An increase in nondurable goods output in February offset a slight decline in the durable goods industries resulting from bad weather. Work stoppages in the bituminous coal and meat packing industries will probably be reflected in a lower index of industrial production in March.

Durable goods production was hampered by bad weather in early February The index of durable goods output declined 2 points to 226 in February, 3 points below the peacetime peak of December 1947. Steel output, which reached new highs in January, was maintained at the same rate in February. Motor vehicle production declined during the first two weeks of the month. Output in other durable industries during February remained about the same as in January. In early March, scheduled operations in steel increased and motor vehicle production recovered with milder weather but shortages of coal became a threatening factor later in the month.

Nondurable goods output in February increased slightly due principally to higher activity in distilleries. Activity in most of the other industries remained close to the high levels of January. The index of nondurable goods output in February was 179, 2 points above January and 3 points above February a year earlier. The February 1948 level was equal to the previous peacetime record reached in November 1947.

Total civilian employment in early February was estimated at 57.1 million persons, the same as in January and 1.6 million greater than a year earlier. Nonagricultural employment increased slightly during the period. Unemployment increased to 2.6 millions, 500,000 more than in January and about the same as a year earlier. The rise primarily reflected a seasonal upswing in the size of the civilian labor force and layoffs in industries affected by the fuel shortage.

Income and Related Factors

The seasonally adjusted annual rate of personal income increased slightly in January to 210.8 billion dollars, 21.5 billions greater than a year earlier. A rise in agricultural income from December to January more than offset slight declines in nonagricultural payments. Income in February was probably down as a result of lower prices and incomes received by farmers.

Salary and wage receipts in January declined slightly as a result of a falling off in payrolls in the durable goods industries which were affected by bad weahter in late January. The annual rate of salary and wage payments was 127.4 billion dollars, only .7 billion below December but 10.5 billion dollars above January 1947.

Department store sales in February, seasonally adjusted, continued at the January level. The index at 283 (1935-39= 100) was 17 points above a year earlier but 20 points below the record of December 1947.

Commodity Prices

Following the abrupt decline of some farm products and foods in the first half of February, commodity prices generally have been quite stable. The BLS index of wholesale prices in early March was 160 (1926= 100), 6 points below mid-January but about the same as in November 1947. Prices of farm products and foods were lower while all other commodities combined were up.

The BAE index of prices received by farmers in mid-March was 283 (1909-14= 100) slightly above February this year and March a year ago. Comparison of the group indexes with a year ago is made in table 2.

Table 2. - Group indexes of prices received by farmers, March 1947 and 1948 (1909-14= 100)

Farm product group	March 1947	March 1948	Percentage change from March 1947
Food grains	283	260	- 8
Feed grains and hay	212	284	+ 34
Cotton	257	256	1/
Tobacco	390	372	- 5
Oil-bearing crops	360	339	- 6
Fruit	215	140	- 35
Truck crops	299	295	- 1
All crops	266	262	- 2
Meat animals	345	342	- 1
Dairy products	269	298	+ 11
Poultry and eggs	199	212	+ 7
Livestock and products	292	302	+ 3
Crops and livestock and products	280	283	+ 1

1/ Less than one-half percent decline.

The major declines in prices from a year ago are in the food grains which declined sharply in February and in fruits which have been moving down since last summer. Despite the recent drop in prices of feed grains, they are still substantially above a year ago.

The index of prices paid by farmers, interest and taxes, in mid-March was 247 (1910-14=100), 1 point below the previous month and 4 points below the January peak. The index in March 1947 was 226. The parity ratio--the index of prices received by farmers divided by the index of prices paid, interest and taxes--rose from 112 in February to 115 in March but was still 7 points below January and 9 points below March last year.

The BLS index of urban consumer prices dropped from 169 (1935-39=100) in January to 167 in February, and probably will not be much different in March. The gain over a year ago was approximately 7 percent. The BAE index of prices paid by farmers for family maintenance declined from 272 in January (1910-14=100) to 270 in February and 268 in March, primarily due to lower food prices.

FARM INCOME

Farmers received around 6.3 billion dollars from farm marketings during the first three months of 1948, slightly above receipts in the first quarter of 1947. Receipts from livestock and products were about 3.8 billion dollars, about the same as last year. Crop receipts were around 2.5 billion dollars, or 7 percent above 1947.

In March, cash receipts from farm marketings probably totaled around 1.8 billion dollars, about the same as in February 1948 and 8 percent below March 1947. This included about 1.1 billion dollars from livestock and products, 14 percent below March last year and 0.7 billion dollars from crops, 4 percent above last March. Receipts from meat animals were down sharply compared with a year ago because of the meat packing strike in the latter part of March. Smaller sales of corn from the relatively short corn crop, even at higher prices, resulted in lower receipts from feed crops as compared with last March. Receipts from food grains, however, probably were above last year because of larger marketings of wheat from the record 1947 crop, although prices averaged slightly lower.

Although cash receipts during the first quarter were slightly larger than in the first quarter of 1947, the difference over a year earlier varied considerably by months largely because of price changes. Prices of farm products reached a high in January when they were 18 percent above January 1947; in February, when prices of corn, hogs, wheat and soybeans dropped sharply and many other products also declined, farm product prices averaged 6 percent above a year earlier; and in March, prices were only 1 percent higher than in March a year ago. Cash receipts in January were 14 percent above last year, in February, about the same, but in March they were 8 percent below a year ago.

Similar changes occurred for some of the important commodity groups. Cash receipts from meat animals in January were 20 percent above January 1947, but for the first quarter were 5 percent below last year. Receipts from food grains in January were 70 percent above last year, but 40 percent above 1947 for the first three months. Receipts from feed crops in January were 12 percent greater than in January 1947, but were slightly below last year for the first quarter. Receipts from fruits however were about one-quarter below last year throughout the entire three months. Price declines in most important fruits occurred in the latter part of 1947.

LIVESTOCK AND MEAT

Prices of meat animals as a whole held fairly steady in late February and in March, despite the strike of packinghouse workers which sharply cut slaughter. Meat animal prices in March were still a little above the record averages for the year 1947. Wholesale prices of meat rose moderately in late March. Livestock prices in the next few months will depend mainly on trends in business activity and consumer incomes. If incomes continue high, prices probably will rise seasonally this spring and summer as meat supplies decrease, and will decline this fall and winter when marketings will increase.

Meat production under Federal inspection in January-March was about 10 percent less than a year earlier. Output of all classes was reduced. The packinghouse workers' strike partly caused the declines. Production is likely to be smaller in each quarter in 1948 than a year earlier. For the year as a whole, meat consumption is expected to average between 143 and 146 pounds per person compared with 154 pounds in 1947 and 134 pounds in 1937-41.

Cattle slaughter declined materially in January and February. February slaughter under Federal inspection was 26 percent less than in January and 15 percent less than a year earlier. The decline in the first 2 months reflects fewer cattle on hand January 1 and a smaller proportion grain fed. Slaughter of fed cattle is likely to continue relatively small through summer and early fall. In every month since last April, except September shipments of stockers and feeders to feeding areas have been considerably less than in the same month last year.

Lamb slaughter is expected to continue less than in 1947. This year's early spring lamb crop is around 10 percent under last year's and the smallest of record. Lambs developed slowly during January and February in most early lambing areas because cold, wet weather slowed growth of green feed. Prospects are good for spring pastures in most early lambing States. But March 1 range conditions in early lambing areas of California were the lowest of record. Many early lambs were on irrigated pastures in this State. A much larger percentage of the California crop will go for feeders this year than last. More than usual are likely to move to the Corn Belt and other eastern areas.

Slaughter of hogs this spring is expected to be about the same as a year earlier, since the 1947 fall pig crop was slightly larger than the 1946 fall crop. But slaughter in late summer and fall is expected to be considerably less than a year earlier, particularly if large feed crops are in prospect. In this case, hogs would be held for feeding out of new crop grains.

Stocks of pork in commercial cold-storage warehouses and meat packing plants on March 1 of 701 million pounds, compared with 399 million a year earlier, were the largest for that date since 1944. March 1 stocks of lard were slightly below average.

DAIRY PRODUCTS

Prices for manufactured dairy products were higher in mid-March than a year earlier and, except for seasonal declines in butter and cheese, were higher than in January and February. The gains over mid-March 1947 reflected smaller production, smaller storage holdings and continued strong demand. Since storage operations were profitable in 1947, demand for storage is likely to be stronger than last year unless offset by other factors. Consumer demand also will be strong in coming months and export demand for several items will be high. Prices of most dairy items will decline as output increases seasonally but are likely to continue above a year earlier through June.

Prices of milk for fluid consumption have been more stable this year than in early 1947 and in March were moderately higher than last year. Greater stability this year is due largely to smaller farm milk production and a smaller over-all decline in prices of manufactured dairy products used directly or indirectly in pricing fluid milk. Consumption of fluid milk and cream early this year was nearly equal to a year earlier. Thus, the reduction in output of manufactured dairy products was almost equal to the decline in farm milk production.

Daily milk production on farms during February was 6 percent under a year earlier, mostly because of fewer cows. Though the total milk flow will continue under that of a year earlier, at least, for the next several months it probably will increase relative to last year. With reasonably good pasture and feed crops, total milk output in 1948 will be only slightly below the near record output in 1947.

The ratio of young stock to milk cow numbers is almost a record. By reducing the rate of culling from the near-record level, farmers could end the downturn in cow numbers within a comparatively short time.

POULTRY AND EGGS

Demand for eggs continues strong. Consumption during the first quarter of this year was about as large as last year, even though prices averaged about 15 percent higher. Farmers' prices during the first quarter of 1948 averaged 45 cents a dozen, 90 percent of parity and 5 cents above last year. No price support purchases were made through March.

Consumer demand probably will continue strong. Egg prices are likely to remain at or near support levels, but above last year. Consumption is expected to continue near 1947 levels, while production may be as much as 5 percent less. Hence, little, if any, purchases of eggs by the United States Department of Agriculture for price support may be necessary this year.

Turkey prices are likely to be higher during the Fall of 1948 than a year earlier, largely because supplies may be as much as one-fourth less. Turkey production this year will be limited by the fact that the number of breeder hens on farms January 1 was only 2.8 million head, one-third below last year and the smallest on record. Also, cold-storage stocks on March 1, 1948 were only 69 million pounds, about half of last year's exceptionally large holdings.

More shell eggs have been moving into storage this year than in 1947. This is likely to continue since shell-egg storage operations were fairly profitable in 1947. But the into-storage movement of frozen eggs will probably be less since frozen egg operations showed little, if any, profits during 1947.

FATS, OILS, AND OILSEEDS

Price trends for most fats and oils other than butter have been slightl upward from the low points reached after the sharp declines of late January and early February. The index of wholesale prices of 26 major fats and oils, excluding butter, was about 268 (1935-39=100) in March compared with 261 in February and an average of 285 in 1947. The wholesale price of butter (92-score, Chicago) averaged about 78 cents per pound in March 1948, about 3 cents lower than in February. After allowing for seasonal variation, the March price was about 5 cents above the 1947 average.

Supplies of food and soap fats in the United States in the next 6 months probably will be somewhat smaller than a year earlier. If consumer income remains high, prices of most of these items, except butter, probably will average at least as high in the next 6 months as in March. Butter prices will decline by early summer, reflecting the seasonal peak in output.

Supplies of drying oils in the next 6 months are relatively plentiful. The current price of linseed oil, however, is only slightly above the support price for linseed oil produced from 1947-crop flaxseed. The support for linseed oil tends to support prices of other drying oils.

Oilseed prices were somewhat higher in mid-March than a month earlier, when the low point of the February price break was reached. The index of prices received by farmers for oil-bearing crops in mid-March was 339 (1909-14= 100) compared with 333 in mid-February and 377 in mid-January.

Output of federally inspected lard since last September totals about as much as a year earlier. The yield of lard per hog slaughtered has averaged nearly as high. Despite the small 1947 corn crop, farmers apparently are feeding hogs almost as heavily as last season. Lard production this Spring probably will be about as large as a year earlier, but is likely to decline next Summer.

Production of creamery butter since last October has been about 15 percent smaller than a year earlier. Output of inedible tallow and greases is expected to decline this spring and summer from the exceptionally high level of 1947 and early 1948.

Total output in 1947-48 of the vegetable oils used mainly in food products probably will be about the same as in 1946-47. A larger percentage of the total, however, was produced last fall and winter than in the same months of 1946-47. As a result, the seasonal decline in production this spring and summer will be sharper than last year. Stocks of these oils on February 1, 1948 were slightly smaller than a year earlier.

CORN AND OTHER FEED

Prices of feed grains in March were substantially above the low points reached in February, but prices of some of the byproduct feeds declined below the February level. Prices of feed grains continue high relative to prices of most of the byproduct feeds, and wheat. The price of corn and oats in March was as high per ton as wheat in midwestern markets while barley was considerably higher.

Feed grain prices in mid-March were 38 percent higher than in March 1947. Principally because stocks of feed grains on hand for the first half of 1948 were much smaller than a year ago, feed grain prices are expected to average somewhat higher this spring than last. The course of prices this summer and fall will depend largely on the prospects for the 1948 feed crops. A favorable growing season would result in more than the usual seasonal decline in feed grain prices this summer and fall, and much lower prices in the last part of this year than in the last half of 1947. The loan rate on 1948 corn to be based on 90 percent of parity at the beginning of the 1948-49 marketing year could limit the decline in corn prices this fall, especially if production is unusually large. In mid-March, the parity price of corn was $1.59 per bushel.

Market receipts of corn were very small in late February and most of March. From January through March they were only about one-third as large as in the first quarter of 1947.

With fewer livestock on farms, feed requirements of livestock will be a little smaller during the remainder of 1948 than in the same period of 1947. Commercial processing of corn will be considerably smaller. Exports of feed grains are expected to continue small until 1948 crops are harvested.

If farmers carry out their plans as reported March 1, the total area planted to corn, oats, barley, and sorghums in 1948 will be around 157 million acres, 3 percent larger than in 1947, but 6 percent smaller than the 1942-46 average. With 1942-46 average yields by States production of the four feed grains would be about 116 million tons, about one-fifth larger than in 1947. Carry-over of feed grains into 1948-49, however, is expected to be around 6 million tons smaller than the 13.7 million tons carried over last year.

WHEAT

Cash wheat prices on March 29 were about 15 cents above the low reached on February 13, but were still considerably below prices on February 3. The price of No. 2 Hard Winter Wheat at Kansas City on March 29 was $2.42 compared with the low of $2.29 reached on February 13 and $2.87 on February 3. If parity next June is the same as the $2.18 on March 15, the loan rate on the new crop at 90 percent would be about $2.18 or $2.19 for the No. 2 grade at Kansas City after making an adjustment for freight rate increases. The average price received by growers in mid-March was $2.21, which was 9 cents above a month earlier, 60 cents below mid-January, and 23 cents below a year earlier.

Of the 795 million bushels of wheat on hand on January 1, about 245 million are expected to be used for food and about 25 million for seed. The quantity fed may range between 125 million and 175 million bushels. More precise estimates of feeding can be made after the report of stocks April 23. The Third Supplemental Appropriations Act of 1948 required that the carry-over next July 1 be at least 150 million bushels. This would leave enough wheat to permit total exports for the year to be between 450 million and 500 million bushels.

If farmers plant as many acres to spring wheat as they intended on March 1 and yields per seeded acre are equal to the 1936-46 averages by States production of all spring wheat would be approximately 272 million bushels. Winter wheat production was estimated at approximately 839 million last December. The combined crop of 1,110 million bushels would be one of the 6 largest in our history. On the basis of present indications and assuming normal weather until harvest, Europe's 1948 harvest of wheat and rye will exceed the very small 1947 crops and may equal or exceed 1946 production. But it will still be considerably below the prewar average. Abundant moisture since mid-November in most countries and a generally mild winter has resulted in favorable prospects for the fall-sown crops. Favorable working weather this spring has advance preparations and improved prospects for spring-planted crops. Condition of winter crops in the Soviet Union was reported as excellent or good.

FRUIT

Prices for most fruits in April and May are expected to remain at or near the levels of mid-March at that time, prices of all fruits averaged 35 percent below March 1947. Average prices received by growers for oranges, however, may rise further, although less than seasonally. Large quantities are likely to continue to go into processing and an increasing percentage of sales will be made up of Valencias which usually bring higher prices.

Grower prices for 1947-48 crop fruit declined earlier in the season, mainly because of large production and reduced exports demand. In mid-March, these prices averaged about one-third less than in March 1947.

The recent unusually heavy movement of Florida oranges to processors for manufacture mainly into juice contributed to the slow rise in prices in February and March. By mid-March, about 19 million boxes of 1947-48 crop Florida oranges had been taken by processors, compared with about 11 million boxes a year earlier from the 1946-47 crop. Movement of Florida grapefruit to processors through mid-March this season was about 11 million boxes, only 1 million more than a year earlier. In Texas, the movement of grapefruit to processors has been much slower than last season. In contrast to oranges, considerably more grapefruit in Florida and Texas remained to be marketed after mid-March than was true a year earlier. Hence, prices probably will continue low during April and May.

Storage stocks of apples and pears continue large for this time of year. Since foreign outlets are reduced or closed, prices during April and May probably will continue near the low levels of March.

Prices received by growers for strawberries from the early spring crop probably will average lower than in 1947. The crop is expected to be about 28 percent larger than last spring and slightly above the 1937-46 average. Total acreage for harvest this year (winter, early spring, mid-spring and late spring) is 4 percent larger than in 1947 but 7 percent under average.

TRUCK CROPS

For Fresh Market

Demand for fresh vegetables is expected to continue strong through April, May, and June, but prices received by farmers will fall seasonally. Acreage for harvest of 13 truck crops which usually comprise about one-half of the total grown for spring marketing are ostimated to be one percent larger than a year earlier. Moderate increases in acreage are in prospect for cauliflower, early covered Honey Ball melons, lettuce, and onions. No change is indicated for asparagus and cabbage. Acreage of shallots, spinach, and tomatoes will be down slightly, while acreage of beets, early covered cantaloups, carrots, and watermelons will be down one-fifth to one-fourth. Spring acreage of the last 4 crops probably was influenced by the small yields and low prices of last year.

Spring supplies of cauliflower are expected to be about 8 percent larger than a year earlier. Supplies of spring shallots, early spring lettuce, and early spring asparagus are estimated to be 4 to 8 percent smaller than a year earlier. Because of reductions in both acreage and yield per acre, spring supplies of carrots will be one-fourth to one-third smaller and undoubtedly will command considerably higher prices this spring than last spring.

For Processing

Demand for most vegetables for commercial canning and freezing this year is expected to be about as strong as last year. Total stocks of canned vegetables in the hands of packers and wholesale distributors January 1, 1948 were estimated to be slightly smaller than a year earlier. Stocks of most canned vegetables were substantially lower than a year earlier, but those of peas, tomatoes, and tomato catsup and chili sauce were substantially larger.

Plans of canners and freezers in early March indicated that the acreage of green peas to be planted for processing this year probably will be slightly larger than last year. About one-fifth of the acreage will be grown for freezing.

This year's production of spinach for processing in California and Texas, which usually produce more than 60 percent of the commercial crop in all States, was estimated on March 1 to be about 10 percent smaller than the 1947 crop.

POTATOES AND SWEET POTATOES

Prices received by growers for 1947-crop potatoes in April and May are expected to continue generally slightly above support levels and substantially higher than a year earlier. Planting and development of 1948 crops in some early commercial areas have been delayed by cold weather. This will help the marketing of old-crop potatoes. Demand for seed potatoes was retarded in much of February and early March by cold, wet weather in early planting areas, but is expected to strengthen with warmer weather. However, demand for seed potatoes is expected to be no stronger than last year since the 1948 potato acreage goals call for virtually no increase in acreage. Supplies of certified seed are much larger.

Demand for sweetpotatoes appears to be weaker this year than last. Prices received by farmers are only slightly to moderately higher than a year earlier, despite a considerably smaller crop and smaller carlot rail movement. Prices received by growers for sweetpotatoes sold in April and May are expected to be slightly higher than a year earlier.

COTTON

Spot cotton prices increased during March. On March 29, Middling 15/16" averaged 35.30 cents per pound in the 10 designated markets compared with 33.82 on March 1. Premiums for the staple lengths longer than 15/16" of Middling and better grades continued to widen as did discounts on most grade and staple lengths shorter than Middling 15/16".

The prices received for cotton in mid-March averaged 31.77 cents per pound, an increase of slightly over 1 cent above the February 15 average.

Total consumption of cotton during the first seven months of 1947-48 season was 5,423,000 bales, down 10 percent from last year. Domestic mills consumed 785,000 bales during February, compared with 839,000 in February a year ago.

In January, 214,000 bales of raw cotton were exported. This brought the total for the first half of the 1947-48 season to 872,000 bales, only 47 percent as much as for the same period last year. Exports for the first six months have not been so low during peacetime in more than 60 years. The 1935-39 average was 3,526,000 bales while the 1940-44 average was 685,000 bales. Stocks of cotton in importing countries have been substantially reduced in recent months. Therefore, exports of cotton probably will be increased over the current rate regardless of the amount of economic assistance that is made available to European countries. The extent of the increase in exports, however, will depend in large measure on the size of financial assistance made available. The European Recovery Program proposed to Congress calls for exports to the European nations affected of 780,000 bales in April-June of this fiscal year and about 2.5 million bales in each of the next four years.

WOOL

The Boston wool market was quiet in March, awaiting developments after the drop in prices in foreign markets. Dealers continued to sell choice fine domestic wools from limited supplies.

Wool prices at London and in the British Dominions declined quite sharply in early March. The drop was reflected in lower prices for imported Australian wools at Boston. South American wool prices remained unchanged through the second week of March.

Production of shorn wool may be about 240 million pounds this year, 13 million less than in 1947 and the smallest since 1924. The number of stock sheep fell 5 percent in 1947, the sixth consecutive year in which the number has declined. The number on farms January 1, 1948, was the lowest in the 82 years for which records have been kept. There is some indication that the downward trend is being checked in some of the Western States.

Stocks of apparel wool held by mills and dealers and by the Commodity Credit Corporation totaled 705 million pounds (grease basis) at the beginning of this year, 188 million pounds or 21 percent below a year earlier. Of this reduction, 137 million pounds was in CCC stocks. Private holdings of domestic wools were about 12 million pounds larger, while stocks of foreign wool were 62 million pounds smaller than a year earlier. This reflected the increase in the proportion of domestic wools being used by mills. More domestic wool was used in 1947 than in any year since 1943.

TOBACCO

Fire-cured tobacco prices fluctuated narrowly in late February and during the month of March. Virginia fire-cured (type 21) auctions were completed with prices for the season averaging 28.8 cents per pound, slightly lower than the 29.4 cents last season. In Kentucky and Tennessee, the Eastern fire-cured (type 22) auction sales averaged 29.5 cents per pound and Western fire-cured averaged 27.3 cents through March. These prices topped last year's season averages by 11 and 23 percent, respectively. A substantially higher average support level than a year ago is primarily responsible for the increase in prices of Kentucky-Tennessee fire-cured. Considerable quantities of types 21-23 have been placed under Government loans.

Maryland auctions begin May 11. Although the 1947 crop is estimated to be almost one-fifth smaller than the previous year's record, stocks in the hands of dealers and manufacturers on January 1, 1948 were well above those of a year ago. The 1948 acreage of Maryland tobacco according to farmers intentions on March 1 indicates an 8 percent reduction below last year. Total disappearance of Maryland during 1947 was about 35 million pounds--about 6 percent higher than in 1946. Maryland exports totaled a little over 6 million pounds (declared weight)-during each of the last two years. Domestic use of Maryland is largely in cigarettes.

Tax paid withdrawals of cigarettes in February were 23 billion, 11 percent below last February's high level. Tax-paid withdrawals of cigars in February were 468 million compared with 455 in February 1947. During 1947, smoking tobacco production fell slightly below that of 1946 while plug and scrap chewing tobacco were about 9 percent lower. Snuff manufacture at 39 million pounds was the same in both years. Production of most tobacco products during 1948 is expected to show little change from 1947.

Exports of United States tobacco from November 1947 through January 1948, were down almost one-half from the same period a year ago. Tobacco exports to the United Kingdom, the largest foreign customer, were 75 percent below those of the same three months a year ago. Tobacco exports during the first half of 1948 will probably continue well below the first half of 1947, but would revive if economic aid were provided to Western Europe.

Annual Data

Item	Unit or base	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
Industrial production 1/																				
Total	1935-39=100	110	91	75	58	69	75	87	103	113	89	109	125	162	199	239	235	203	170	187
All manufactures	"	110	90	74	57	68	74	87	104	113	87	109	126	168	212	258	252	214	177	193
Durable goods	"	132	98	67	41	54	65	83	108	122	78	109	139	201	279	360	353	274	192	220
Nondurable goods	"	93	84	79	70	79	81	90	100	106	95	109	115	142	158	176	171	166	165	172
Minerals	"	107	93	80	67	76	80	86	99	112	97	106	117	125	129	132	140	137	134	149
Construction activity 1/																				
Contracts, total	1935-39=100	204	160	110	49	44	56	64	96	103	111	125	141	212	289	118	71	118	267	274
Contracts, residential	"	213	122	91	32	27	29	52	91	100	110	147	176	218	201	98	39	64	350	348
Wholesale prices 2/																				
All commodities	1926=100	95	86	73	65	66	75	80	81	86	79	77	79	87	99	103	104	106	121	152
All commodities except farm and food	"	92	85	75	70	71	78	78	80	85	82	81	83	89	96	97	98	100	110	135
Farm products	"	105	88	65	48	51	65	79	81	86	68	65	68	82	106	123	124	128	149	181
Food	"	100	90	75	61	60	70	84	82	86	74	70	71	83	100	107	105	106	131	169
Prices received and paid by farmers 3/.																				
Prices received, all products	1910-14=100	149	128	90	68	72	90	109	114	122	97	95	100	124	159	192	195	202	233	278
Prices paid, int. and taxes	"	167	160	141	124	120	129	130	127	133	126	124	125	132	150	162	169	172	193	231
Parity ratio	"	89	80	64	55	60	70	84	90	92	77	77	80	94	106	119	116	117	121	120
Consumers' price 2/																				
Total	1935-39=100	122	119	109	98	92	96	98	99	103	101	99	100	105	116	124	126	128	139	159
Food	"	132	126	104	86	84	94	100	101	105	98	95	97	106	124	138	136	139	160	194
Nonfood	"	118	116	111	103	97	97	97	98	101	102	102	102	105	113	116	120	123	128	140
Income																				
Nonagricultural payments 4/	Bil. dol.	76.8	70.7	60.1	46.2	43.0	49.5	53.4	62.8	66.5	62.1	66.3	71.5	86.1	108.7	134.3	149.0	154.4	157.9	174.8
Income of industrial workers 3/	1935-39=100	134	110	84	58	61	76	86	100	117	91	105	119	169	241	322	335	290	270	323
Factory payrolls 2/	1935-39=100	128	103	78	54	58	74	86	99	118	91	106	122	178	261	356	368	312	284	345
Weekly earnings of factory workers 2/																				
All manufacturing	Dollars											23.86	25.20	29.58	36.65	43.14	46.08	44.39	43.74	49.26
Durable goods	"											26.50	28.44	34.04	42.73	49.30	52.07	49.05	46.48	52.47
Nondurable good	"											21.78	22.27	24.92	29.13	34.12	37.12	38.29	41.01	45.87
Employment 5/																				
Total civilian	Million	47.6	45.5	42.4	39.0	38.8	40.9	42.3	44.4	46.3	44.2	45.8	47.5	50.4	53.8	54.5	54.0	52.8	55.2	58.0
Nonagricultural	"	37.2	35.1	32.2	28.8	28.7	31.0	32.2	34.4	36.5	34.6	36.2	38.0	41.2	44.5	45.4	45.0	44.2	46.9	49.8
Agricultural	"	10.4	10.3	10.3	10.2	10.1	9.9	10.1	10.0	9.8	9.7	9.6	9.5	9.1	9.2	9.1	9.0	8.6	8.3	8.3
Government finance (Fed.) 6/																				
Receipts, net	"						291	321	364	483	471	410	486	737	1367	2880	3702	3837	3467	3665
Expenditures 7/	"						607	557	770	646	675	740	805	1588	4668	7340	8096	7470	3676	3462

Sources: 1/ Federal Reserve Board; indexes of construction converted to 1935-39 base. 2/ U. S. Dept. of Labor, B.L.S., factory payrolls converted to 1935-39 base, 3/ U. S. Dept. of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rates. 5/ U. S. Dept. of Labor for years 1929-39. From 1940 to date Bureau of the Census. 6/ U. S. Dept. of Treasury. Expenditures include net expenditures of government corporations (wholly owned) etc. Figures are on average monthly basis. 7/ Expenditures, 1934-44 are not strictly comparable with those for later years.

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